



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Lt. Colonel Carey L. Freeman - Variable Housing Allowance - Allowable Expenses for Offset

File: B-231712

Date: November 22, 1988

DIGEST

Service member who paid cash for his home may not prorate the purchase amount monthly in order to include it in his "monthly housing cost" for purposes of obtaining a full Variable Housing Allowance (VHA). The purpose of a VHA is to defray housing costs in those parts of the United States where housing costs are especially high, and since the allowance is intended to be attuned to members' actual housing costs, a member who has no actual out-of-pocket housing expense does not qualify for the full allowance.

DECISION

We are asked whether a service member who paid cash for his house may prorate the amount he paid on a monthly basis in order to receive a full Variable Housing Allowance (VHA).^{1/} We conclude that such proration is not permissible.

A VHA, authorized by 37 U.S.C. § 403a (Supp. IV 1986), is paid to a service member who is entitled to a basic allowance for quarters (BAQ) if he or she is assigned to duty in a high cost housing area of the United States. Until the section was amended in 1985 by Public Law 99-145, § 602(c)(2), 99 Stat. 637, a member's actual housing costs were not directly relevant in determining the amount of VHA he or she received. Presently, however, the law requires that a member's monthly VHA be reduced by one-half of the amount by which his total VHA and BAO exceed his "monthly housing costs." 37 U.S.C. § 403a(c)(6)(A).

^{1/} The request for decision was submitted by the Chief Accounting and Finance Branch, Headquarters 1st Tactical Fighter Wing (TAC), Langley Air Force Base and assigned PDTATAC Control No. 88-8 by the Per Diem, Travel and Transportation Allowance Committee.

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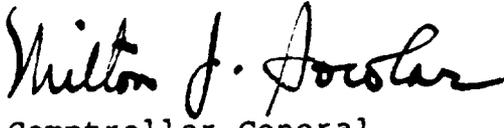
In this case, Lt. Colonel Carey L. Freeman purchased a home in Poquoson, Virginia, with cash he received as part of an inheritance. Because Colonel Freeman was able to pay cash for the property, he did not receive a mortgage loan and, thus, has no monthly mortgage payment. Colonel Freeman's monthly housing cost thus consists only of hazard liability insurance, real estate taxes, etc., so that he does not qualify for VHA. In order to qualify for the full VHA to which he otherwise would be entitled, Colonel Freeman requests that the amount he paid in cash for the property be prorated, monthly, over the period of time he would have taken to purchase the home with mortgage financing, and that the prorated amount be included in his monthly housing costs for VHA purposes.

In our recent decision, Variable Housing Allowance, B-228860, B-229281, Aug. 19, 1988, we decided essentially the same issue. In that case, a member who paid cash for his home requested that he be permitted to include as a monthly housing cost his "opportunity cost"--the interest or return on investment he calculated he lost each month on the money he paid for his house rather than take out a mortgage and invest that money. We did not allow that "cost" because whether the member in fact incurs such a "cost" depends on the yet to be determined investment performance of his home versus another investment, and including opportunity costs would present a serious administrative problem in view of the many financial alternatives available to home buyers. We also noted that the services had some administrative latitude in implementing the VHA statute, and they explicitly had chosen not to include such costs in the definition of "monthly housing costs."

Moreover, the purpose of a VHA is to defray housing costs in those parts of the United States where housing costs are especially high. The 1985 amendments to the program were enacted due to congressional concerns about the cost of the program and to more closely attune the allowance to members' actual housing costs. Variable Housing Allowance, B-224133, Dec. 22, 1987, 67 Comp. Gen. _____. As stated above, Colonel Freeman's actual monthly housing costs are limited to items like insurance and taxes.

In view of our recent decision and the intent of the 1985 amendments to the VHA program to tie the payment of VHA to

actual monthly housing costs, the monthly proration of a cash purchase of a house is not permissible in calculating the "monthly housing cost" of a service member.

for 
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